

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**

**AUDIT REPORT**

**YEAR ENDED JUNE 30, 2008**

**DELONG & BROWER P.C.**

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

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[www.cpaholland.com](http://www.cpaholland.com)

## Auditing Procedures Report

Instructions and MuniCodes

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name	Saugatuck-Douglas District Library	County	ALLEGAN	Type	LIBRARY	MuniCode	03
Opinion Date-Use Calendar	12/2/08	Audit Submitted-Use Calendar	12/16/08	Fiscal Year End Month	06	Fiscal Year	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> ?	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="checkbox"/> ?	\$ 332,103.00
General Fund Expenditure:	<input type="checkbox"/> ?	\$ 306,200.00
Major Fund Deficit Amount:		\$ 0.00

General Fund Balance:	<input type="checkbox"/> ?	\$ 156,929.00
Governmental Activities Long-Term Debt (see instructions):	<input type="checkbox"/> ?	\$ 200,000.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)	David	Last Name	Sides	Ten Digit License Number	0000017758		
CPA Street Address	238 Hoover Blvd	City	Holland	State MI	Zip Code 49423	Telephone	+1 (616) 396-0500
CPA Firm Name	DeLong & Brower, PC	Unit's Street Address	10 Mixer Street	Unit's City	Douglas	Unit's Zip	49406

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# DELONG & BROWER, P.C.

CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS

## INDEPENDENT AUDITOR'S REPORT

Holland, Michigan  
December 2, 2008

Board of Directors  
Saugatuck-Douglas District Library

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck-Douglas District Library as of and for the year ended June 30, 2008, which collectively comprise the Library's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

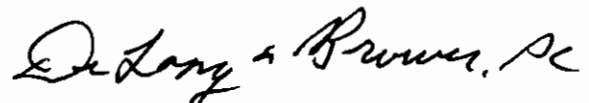
We conducted our audit in accordance with auditing standards and the standards generally accepted in the United States of America applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Due to the fact that it was impractical to verify contributions received by the Library, our audit procedures were not extended beyond the examination of recorded receipts.

In our opinion, except as stated above, the financial statements referred to in the first paragraph present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Saugatuck-Douglas District Library as of June 30, 2008 and the respective changes in financial position, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 2 through 3 and 17 are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

DELONG & BROWER, P.C.

  
Certified Public Accountants

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Saugatuck-Douglas District Library (the "Library"), we offer readers of the Library's financial statements this narrative review and analysis of the financial activities for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that is furnished in the financial statements and notes to the financial statements.

### **Financial Highlights**

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Library's financial statements. The Library's basic financial statements are comprised of three components:

1. Government-wide statements
2. Fund financial statements, and
3. Notes to the financial statements

This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-Wide Statements**

The statement of net assets presents information on all of the Library's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The statement of activities presents information showing how the Library's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in past or future fiscal periods (for instance, depreciation expense associated with capital assets).

The government-wide financial statements can be found on pages 4 and 5 of this report.

#### **Fund Financial Statements.**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other units of state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The activity of the Library is accounted for in governmental funds.

#### **Governmental Funds**

The Library maintains governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenue, expenditures, and changes in fund balances for the operating fund and gift and memorial fund. The operating fund is a major fund for financial reporting purposes as defined by GASB Statement #34.

The Library adopts an annual appropriated budget for the operating fund. A budgetary comparison statement has been provided herein to demonstrate compliance with that budget.

The basic governmental fund financial statements can be found on pages 6 through 9 of this report.

## **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the Library's financial statements. The notes to the financial statements can be found on pages 10 through 15 of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This is limited to this management discussion and analysis and the budgetary comparison schedule found on page 17 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

The following factors were considered in preparing the Library's budget for the 2008-2009 fiscal year:

Amount of budgeted penal fine revenues will be reduced because a decline in these revenues is expected.

Amount of budgeted expense for professional services will be increased because the library board has approved that a customer survey be taken. Expenses related to that survey are expected to occur in the 2008-2009 fiscal year.

### **Capital Asset and Debt Administration**

#### Capital Assets

At June 30, 2008, the Library had \$ 567,449, net of depreciation, invested in capital assets, including land, building, library materials, and furniture and equipment. This amount represents a net decrease (including additions, deductions and depreciation) of \$21,026 from last year.

Additional detailed information about the Library's capital assets is presented in the *Notes to the Financial Statements*.

#### Debt Administration

At the end of the current fiscal year, the Library had total long-term debt outstanding of \$200,000. This amount represents a decrease of \$25,000 from last year. Additional detailed information about the Library's debt obligations is presented in the *Notes to the Financial Statements*.

### **Financial Analysis of the Government's Funds**

As of the end of the current fiscal year the combined fund balance of \$163,084 reflects an increase of \$25,903 from the previous year; an increase of 19%. During the current fiscal year, revenues decreased 2.4% and expenditures decreased 48%. The decrease in expenditures was due primarily to the purchase of the property located at 147 Center Street in the previous fiscal year.

The Library's primary source of revenue is from property taxes, representing approximately 73% of total Operating Fund revenue. Penal fines are the secondary funding source, representing approximately 16% of total Operating Fund revenue.

Salaries and payroll taxes are a significant expense of the Library, representing 51% of total Operating Fund expenditures. This is in line with other Michigan libraries of similar size.

### **Requests for Information**

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the Library's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director, Saugatuck-Douglas District Library, PO Box 789, Douglas, MI 49406-0789.

SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
STATEMENT OF NET ASSETS  
JUNE 30, 2008

	<u>Governmental</u> <u>Activities</u>
<b>ASSETS</b>	
Cash in Bank	
Checking Account	\$ 53,109
Investments	108,488
Accounts Receivable	8,308
Due From State	2,164
Capital Assets less Accumulated Depreciation of \$348,362	<u>567,449</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 739,518</u></u>
 <b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 5,548
Payroll Taxes Payable	3,437
Accrued Interest Payable	1,220
Long-Term Liabilities:	
Installment Purchase Agreement, Due Within One Year	25,000
Installment Purchase Agreement, Due in More Than One Year	<u>175,000</u>
<b>Total Liabilities</b>	<u>210,205</u>
 <b>NET ASSETS</b>	
Investment in Capital Assets - Net of Related Debt	366,229
Unrestricted	<u>163,084</u>
<b>Total Net Assets</b>	<u>529,313</u>
 <b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 739,518</u></u>

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

FUNCTIONS/PROGRAMS	<u>Program Revenues</u>			<b>Governmental Activities</b>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Governmental Activities:				
Programs	\$ 122,436	\$ -	\$ -	\$ (122,436)
General and Administrative	107,946	-	-	(107,946)
Interest on Long-Term Debt	11,077	-	-	(11,077)
Loss on Asset Disposal	267	-	-	(267)
Depreciation (Unallocated)	60,347	-	-	(60,347)
<b>Total Governmental Activities</b>	<b>\$ 302,073</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (302,073)</b>
General Revenue:				
Property Taxes, Levied for General Purposes				230,937
Penal Fines				51,597
State Sources				4,305
Interest and Investment Earnings				2,844
Contributions				21,721
Other				20,699
<b>Total General Revenue</b>				<b>332,103</b>
<b>Change in Net Assets</b>				<b>30,030</b>
<b>Net Assets at Beginning of Year</b>				<b>499,283</b>
<b>Net Assets at End of Year</b>				<b>\$ 529,313</b>

The accompanying notes are an integral part of these statements.



**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2008**

	<u>Operating</u> <u>Fund</u>	<u>Gift</u> <u>and</u> <u>Memorial</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
<b>ASSETS</b>			
Cash in Bank			
Checking Account	\$ 46,954	\$ 6,155	\$ 53,109
Investments	108,488	-	108,488
Accounts Receivable	8,308	-	8,308
Due From State	2,164	-	2,164
	<hr/>		
<b>TOTAL ASSETS</b>	<b>\$ 165,914</b>	<b>\$ 6,155</b>	<b>\$ 172,069</b>
<hr/>			
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 5,548	\$ -	\$ 5,548
Payroll Taxes Payable	3,437	-	3,437
	<hr/>		
<b>Total Liabilities</b>	<b>8,985</b>	<b>-</b>	<b>8,985</b>
	<hr/>		
<b>FUND BALANCES</b>			
Unrestricted			
Undesignated Available for General Activities	156,929	6,155	163,084
	<hr/>		
<b>Total Fund Balances</b>	<b>156,929</b>	<b>6,155</b>	<b>163,084</b>
	<hr/>		
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 165,914</b>	<b>\$ 6,155</b>	<b>\$ 172,069</b>
	<hr/>		

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO NET ASSETS**  
**JUNE 30, 2008**

<b>TOTAL FUND BALANCES - GOVERNMENTAL FUNDS</b>	<b>\$ 163,084</b>
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Amounts reported for governmental activities in the Statement of  
Net Assets are different because:

Capital assets used in governmental activities are not financial  
resources and are not reported in the funds:

The cost of capitalized assets is	\$ 915,811	
Accumulated depreciation is	<u>(348,362)</u>	
		567,449

Long-Term Liabilities are not due and payable in the  
current period and are not reported in the governmental funds:

Installment Purchase Agreement	(200,000)
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Accrued interest payable is not included as a liability in governmental funds	(1,220)
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<b>TOTAL NET ASSETS</b>	<b><u>\$ 529,313</u></b>
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The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**GOVERNMENTAL FUNDS**  
**STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**YEAR ENDED JUNE 30, 2008**

	<u>Operating</u> <u>Fund</u>	<u>Gift and</u> <u>Memorial</u> <u>Fund</u>	<u>Total</u> <u>(Memorandum</u> <u>Only)</u>
<b>REVENUE</b>			
Local Sources			
Property Taxes	\$ 230,937	\$ -	\$ 230,937
Penal Fines	51,597	-	51,597
Service Fees	6,238	-	6,238
Interest	2,778	66	2,844
Contributions	7,967	13,754	21,721
Other	14,461	-	14,461
State Sources	4,305	-	4,305
<b>Total Revenue</b>	<b>318,283</b>	<b>13,820</b>	<b>332,103</b>
<b>EXPENDITURES</b>			
Salaries, Wages and Payroll Taxes	156,793	-	156,793
Employee Benefits	3,708	-	3,708
Office Supplies	15,816	-	15,816
Books	14,384	-	14,384
Periodicals and Newspapers	3,945	-	3,945
Audio/Visual and Non-Print Material	7,872	-	7,872
Dues	8,156	-	8,156
Programs	5,878	-	5,878
Travel and Conferences	568	-	568
Insurance	5,635	-	5,635
Utilities	7,714	-	7,714
Repairs and Maintenance	8,594	-	8,594
Advertising	351	-	351
Audit	3,760	-	3,760
Professional Fees	1,876	-	1,876
Computer Services	6,848	-	6,848
Miscellaneous	784	-	784
Debt Service			
Principal Retirement	25,000	-	25,000
Interest Charges	11,230	-	11,230
Capital Outlay	17,288	-	17,288
<b>Total Expenditures</b>	<b>306,200</b>	<b>-</b>	<b>306,200</b>
<b>EXCESS OF REVENUE OVER EXPENDITURES</b>	<b>12,083</b>	<b>13,820</b>	<b>25,903</b>
<b>OTHER SOURCES/(USES)</b>			
Operating Transfers	12,972	(12,972)	-
<b>EXCESS OF REVENUE OVER EXPENDITURES</b> <b>AND OTHER SOURCES/(USES)</b>	<b>25,055</b>	<b>848</b>	<b>25,903</b>
<b>FUND BALANCE AT BEGINNING OF YEAR</b>	<b>131,874</b>	<b>5,307</b>	<b>137,181</b>
<b>FUND BALANCE AT END OF YEAR</b>	<b>\$ 156,929</b>	<b>\$ 6,155</b>	<b>\$ 163,084</b>

The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2008**

**NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS** **\$ 25,903**

Amounts reported for governmental activities in the Statement of  
Activities are different because:

Governmental funds report capital outlays as expenditures; in the Statement  
of Activities, these costs are allocated over their estimated useful lives  
as depreciation

Depreciation Expense	\$ (36,047)	
Capital Outlay	<u>17,288</u>	(18,759)

Governmental funds report purchase of books and materials as expenditures;  
in the Statement of Activities, these costs are allocated over their estimated  
useful lives as depreciation

Depreciation Expense	\$ (24,300)	
Capital Outlay	<u>22,300</u>	(2,000)

Net book value of assets disposed of is recorded as an expenditure in the Statement of Activities; it is not recorded in governmental funds.	(267)
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Repayment on the installment purchase agreement is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt)	25,000
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End of year accrued interest payable is recorded in the Statement of Activities when incurred; it is not reported in governmental funds until paid.	(1,220)
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Beginning of year accrued interest payable is recorded in the governmental funds when paid; it is in the Statement of Activities when incurred.	<u>1,373</u>
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<b>CHANGE IN NET ASSETS</b>	<b>30,030</b>
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<b>NET ASSETS AT BEGINNING OF YEAR</b>	<u><b>499,283</b></u>
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<b>NET ASSETS AT END OF YEAR</b>	<u><u><b>\$ 529,313</b></u></u>
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The accompanying notes are an integral part of these statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 1: GENERAL STATEMENT**

The Saugatuck-Douglas District Library is a library created by the following governmental units – City of Saugatuck, the City of the Village of Douglas, and Saugatuck Township. In addition, through contractual arrangements, it also serves Laketown Township and Manlius Township. All of the above are located in Allegan County, Michigan.

The Library is governed by a library board consisting of six members, who are appointed by their respective municipalities, including a president, vice-president, secretary and treasurer.

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Saugatuck-Douglas District Library (the "Library") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Library.

**Reporting Entity**

The Saugatuck-Douglas District Library is the lowest level of government which has oversight responsibility and control over all activities of the library. The library receives funding from local and state government sources and must comply with the concomitant requirements of these funding source entities. However, the Library is not included in any other governmental "reporting entity" as defined in NCGA Statement 3 since Library Board members have decision-making authority, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All of the library's government-wide activities are considered governmental activities.

The statement of activities demonstrates the degree to which the direct expenditures of a given function or segment, are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

**Government-Wide Statements** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants, categorical aid and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

As a general rule, the effect of inter-fund activity has been eliminated from the government-wide financial statements.

**Fund-Based Statements** - Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and severance pay, are recorded only when payment is due.

Property taxes, unrestricted state aid, intergovernmental grants and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Library reports the following major governmental fund:

Operating Fund - The Operating Fund is used to account for all Library resources and expenditures except for those required to be accounted for in another fund.

The Library reports the following non-major governmental fund:

Gift and Memorial Fund - This fund is used to record contributions and support for the general operation of the Library.

**Assets, Liabilities, and Net Assets or Equity**

**Cash and Investments**

Cash and investments include certificates of deposit. Investments are stated at fair value.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Capital Assets**

Capital assets, which include land, leasehold improvements, buildings, equipment, and library materials are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of 1 year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Costs of normal repair and maintenance that do not add to the value or materially extend asset life are not capitalized.

Leasehold Improvements, buildings, equipment, and books are depreciated using the straight-line method over the following useful lives:

Leasehold Improvements	20 years
Furniture and other equipment	5-20 years
Books and other materials	5-10 years
Building located at 147 Center Street	25 years

**Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Comparative Data/Reclassifications**

Comparative data is not included in the Library's financial statements.

**NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and State law for the operating fund. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund and function. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the function level. State law requires the library to have its budget in place by July 1. Expenditures in excess of amounts budgeted is a violation of Michigan Law. State law permits libraries to amend their budgets during the year. There were amendments made during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end. There were no encumbrances as of June 30, 2008.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2008**

**NOTE 3: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONTINUED)**

**Excess of Expenditures Over Appropriations in Budgeted Funds**

The Library had expenditures in excess of budget as disclosed in Note 7.

**Fund Deficits**

The Library has no accumulated fund balance deficits at June 30, 2008.

**NOTE 4: DONATED MATERIALS AND SERVICES**

Donated materials and equipment are reflected, if material, as contributions in the accompanying statements at their estimated values at the date of receipt. No amounts have been reflected in the statements for donated services inasmuch as no objective basis is available to measure the value of such services.

**NOTE 5: DEPOSITS AND INVESTMENTS**

At June 30, 2008, the \$53,109 of cash on the balance sheet is represented primarily by deposits in checking accounts. The \$108,488 of investments on the balance sheet is represented by certificates of deposit. The carrying value of the investments approximates the market value at the balance sheet date.

Certificates of deposit at financial institutions amounted to \$108,488 on June 30, 2008 as follows:

<u>Bank</u>	<u>Maturity</u>	<u>Interest Rate</u>	<u>Value</u>
Chemical Bank Shoreline	07/22/2008	1.00%	\$ 30,426
Chemical Bank Shoreline	07/26/2008	4.65%	5,939
Macatawa Bank	02/28/2009	3.12%	<u>72,123</u>
Total			<u>\$ 108,488</u>

**NOTE 6: LEASE OF FACILITIES**

The Library leases its facilities from the City of the Village of Douglas for a nominal fee. The lease is dated November 2, 1992 and runs until November 2, 2012. The lease is paid through November 2, 2012.



**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 7: EXPENDITURES IN EXCESS OF BUDGET**

Uniform Accounting and Budgeting Act, P.A. 2 of 1968, as amended, requires that expenditures shall not be in excess of the amount budgeted.

During the year ended June 30, 2008, the Library incurred expenditures in excess of budget as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Operating Funds –			
Employee Benefits	\$ 3,700	\$ 3,708	\$ 8
Debt Service	36,138	36,230	92

**NOTE 8: CAPITAL ASSETS**

Capital Asset activity of the Library's governmental activities was as follows:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2008</u>
Assets not being depreciated				
Property-Land	\$ 180,000	\$ -	\$ -	\$ 180,000
Artwork	17,347	3,100	-	20,447
Subtotal	<u>197,347</u>	<u>3,100</u>	<u>-</u>	<u>200,447</u>
Capital assets being depreciated:				
Property-Building	84,782	-	-	84,782
Leasehold Improvements	217,313	-	-	217,313
Furniture and fixtures	112,897	8,792	(2,524)	119,165
Equipment	50,281	5,396	(1,457)	54,220
Books and materials	<u>222,500</u>	<u>22,300</u>	<u>(4,916)</u>	<u>239,884</u>
Subtotal	<u>687,773</u>	<u>36,488</u>	<u>(8,897)</u>	<u>715,364</u>
Accumulated depreciation:				
Property-Building	3,391	3,391	-	6,782
Leasehold Improvements	79,069	11,224	-	90,293
Furniture and fixtures	54,757	16,777	(2,524)	69,010
Equipment	41,628	4,655	(1,190)	45,093
Books and materials	<u>117,800</u>	<u>24,300</u>	<u>(4,916)</u>	<u>137,184</u>
Subtotal	<u>296,645</u>	<u>60,347</u>	<u>(8,630)</u>	<u>348,362</u>
Net capital assets being depreciated	<u>391,128</u>	<u>(23,859)</u>	<u>(267)</u>	<u>367,002</u>
Net capital assets	<u>\$ 588,475</u>	<u>\$ (20,759)</u>	<u>\$ (267)</u>	<u>\$ 567,449</u>

Depreciation expense was not charged to activities as the Library considers its assets to impact multiple activities and allocation is not practical.

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2008**

**NOTE 9: LONG-TERM DEBT**

During the fiscal year ended June 30, 2007, an installment purchase agreement with Macatawa Bank was issued secured by the full faith and credit of the Library. The agreement requires annual payments of \$25,000 plus interest payable at 4.95%. The note is due May 15, 2016.

Annual debt service requirements to maturity for the above obligation is as follows:

	Governmental Activities		
	Principal	Interest	Total
2009	\$ 25,000	\$ 9,900	\$ 34,900
2010	25,000	8,663	33,663
2011	25,000	7,425	32,425
2012	25,000	6,188	31,188
2013	25,000	4,950	29,950
2014-2016	75,000	7,426	82,426
Thereafter	-	-	-
Total	<u>\$ 200,000</u>	<u>\$ 44,552</u>	<u>\$ 244,552</u>

Funding to pay for the above principal and interest will be derived from a millage increase of .1 mills which was approved in November, 2006 by voters in Saugatuck Township, the City of the Village of Douglas, and the City of Saugatuck.

## REQUIRED SUPPLEMENTAL INFORMATION

**SAUGATUCK-DOUGLAS DISTRICT LIBRARY  
REQUIRED SUPPLEMENTAL INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
YEAR ENDED JUNE 30, 2008**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Over (Under) Final Budget</u>
<b>REVENUE</b>				
Local Sources				
Property Taxes	\$ 238,572	\$ 238,572	\$ 230,937	\$ (7,635)
Penal Fines	50,000	50,000	51,597	1,597
Service Fees	8,500	8,500	6,238	(2,262)
Interest	1,500	1,500	2,844	1,344
Contributions	15,000	15,000	21,721	6,721
Other	15,600	15,600	14,461	(1,139)
State Sources	2,000	4,780	4,305	(475)
<b>Total Revenue</b>	<b>331,172</b>	<b>333,952</b>	<b>332,103</b>	<b>(1,849)</b>
<b>EXPENDITURES</b>				
Salaries, Wages and Payroll Taxes	164,800	164,800	156,793	(8,007)
Employee Benefits	3,700	3,700	3,708	8
Library Materials	38,500	38,500	26,201	(12,299)
Office Supplies	18,000	18,000	16,600	(1,400)
Professional Services	16,600	16,600	11,271	(5,329)
Activities	22,500	22,500	14,953	(7,547)
Repairs and Maintenance	13,000	13,000	8,594	(4,406)
Utilities	21,000	21,000	14,562	(6,438)
Capital Outlay	36,934	36,934	17,288	(19,646)
Debt Service	36,138	36,138	36,230	92
<b>Total Expenditures</b>	<b>371,172</b>	<b>371,172</b>	<b>306,200</b>	<b>(64,972)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(40,000)</b>	<b>(37,220)</b>	<b>25,903</b>	<b>63,123</b>
<b>OTHER SOURCES/(USES)</b>				
Fund Balance	40,000	40,000	-	(40,000)
<b>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES/(USES)</b>	<b>\$ -</b>	<b>\$ 2,780</b>	<b>\$ 25,903</b>	<b>\$ 23,123</b>

# DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

December 2, 2008

To the Board of Directors and Executive Director  
Saugatuck-Douglas District Library

In planning and performing our audit of the financial statements of Saugatuck-Douglas District Library as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Saugatuck-Douglas District Library's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be significant deficiency in internal control:

Preparation of financial statements in accordance with GAAP. – The Library is required to prepare financial statements in accordance with generally accepted accounting principles. As is the case with many smaller entities, the Library has historically relied on its independent auditors to assist in the preparation of its financial statements and footnotes. Accordingly, the Library's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the Library's internal controls. As a result, the Library lacks internal controls over the preparation of the financial statements in accordance with GAAP and instead relies, in part, on its external auditors for assistance with this task. Management has determined that it is in the best interests of the Library to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.



DeLong & Brower, PC  
Holland, Michigan

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December 2, 2008

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CERTIFIED PUBLIC ACCOUNTANTS • FINANCIAL CONSULTANTS

December 2, 2008

Board of Directors  
Saugatuck-Douglas District Library

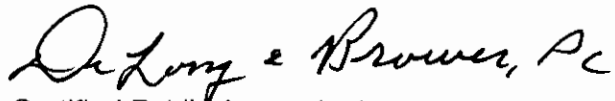
In connection with our audit of the books and records of the Saugatuck-Douglas District Library at June 30, 2008, we wish to make the following comments and recommendations:

1. During the fiscal year ended June 30, 2008 there were expenditures in excess of the amount budgeted for various accounts. To comply with PA 2 of 1968 Uniform Accounting and Budgeting Act, we recommend budget figures be reviewed periodically and amended as needed to adjust for changes during the year.
2. During our audit work it became apparent that it would be useful to have a system in place to identify all fixed asset purchases made during the year. All purchases of equipment, furniture, and computers with an initial cost of \$500 or more should be recorded to a Capital Expenses account. Purchases of small equipment items with an initial cost of less than \$500 should be recorded to a Supplies account. An occasional review of the Capital Expenses account would ensure that only qualifying purchases are being recorded to that account.

We have once again appreciated the opportunity to work with individuals who are committed to Saugatuck-Douglas District Library and its patrons. The majority of the recommendations made in our last management letter have been successfully implemented.

Respectively submitted,

DELONG & BROWER, P.C.

  
Certified Public Accountants

# DELONG & BROWER P.C.

CERTIFIED PUBLIC ACCOUNTANTS ■ FINANCIAL CONSULTANTS

December 2, 2008

Board of Directors  
Saugatuck-Douglas District Library

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